





Pe Ben Oilfield Services Ltd.

## 1978 Annual Report

### Contents

- 2. Highlights of Operations
- 3. Report to the Shareholders
- 6. Auditors' Report
- 7. Earnings
- 8. Balance Sheet
- 10. Changes in Financial Position
- 11. Notes to Financial Statements
- Corporate Information

### Annual Meeting

The Annual General Meeting of the Shareholders of the Company shall be held in Edmonton, Alberta, at the Pe Ben office on Thursday, June 28, 1979 at the hour of 2 o'clock in the afternoon.







# Financial Summary

	1978	1977
Gross revenue .....	\$ 6,815,893	\$20,200,599
Income (loss) before taxes, extraordinary item and minority interests .....	(1,602,798)	994,476
Income (loss) from operations (before extraordinary item and minority interests) .....	(820,498)	524,957
Working capital at year end .....	579,693	1,672,870
Additions to property, plant and equipment .....	242,111	2,958,025
Long term debt at year end .....	2,777,529	3,742,580
Total assets at year end .....	11,912,984	16,428,662
Shareholders' equity at year end, (Note 10) .....	4,621,831	5,221,053
Shares outstanding .....	1,977,600	1,877,600
Income (loss) per share before extraordinary item .....	(.28)	(.10)
Net income (loss) per share for the year .....	(.47)	.32





## Report to the Shareholders

The Board of Directors submit the Annual Report and Consolidated Financial Statements for the year ended December 31, 1978.

### OPERATIONAL REVIEW (Consolidated)

Gross revenue for 1978 was \$6,815,893 compared to \$20,200,599 for 1977. Net loss for 1978 amounted to \$899,222 compared to net income of \$595,142 for 1977.

Net loss per share for 1978 was 47¢ compared to a profit per share of 32¢ in 1977.

The extraordinary item of \$359,449, net of income tax recoveries and minority interest, in 1978 represents the costs of settlement arising from a dispute with a minority shareholder of a subsidiary company. The cash required to settle the dispute amounted to \$778,000.

Loss before extraordinary item in 1978 was \$539,773 compared to the 1977 loss of \$178,516.

Working capital as at December 31, 1978 was \$579,693 or a decrease of \$1,093,177 since December 31, 1977.

The net reduction in Fixed Assets in 1978 amounted to \$2,239,203 compared to net acquisitions of \$1,525,326 in 1977.

A combination of a depressed market for pipeline construction and the Court Order to wind-up a subsidiary company virtually paralyzed two of our three operating divisions (pipeline construction and stringing) during 1978. All matters have been resolved and as noted in the September 30, 1978 interm report C.T. Ivan is not associated in any manner with Pe Ben.

The continuing delay of the proposed Alaska Gas Pipeline has resulted in Management reviewing its participation in Milton Brick. As the Estevan Brick Division was a stabilizing factor for the cyclical market of our energy related operations, Management is supporting a proposed re-organization of the Milton Group Ltd. When the proposed reorganization is completed, Pe Ben will have a broader base for its future operations.

# Report to the Shareholders

## CONTINUED

Under the banking arrangements (January 1979) with the Mercantile Bank of Canada operating lines of credit have been extended, long term debt increased, and annual principal payments reduced.

Although the contract for 38 miles of 14" line awarded by Syncrude to the Pipeline Division was successfully completed in February 1979, the current market for pipeline construction remains uncertain. It is anticipated that the situation will improve during the latter half of 1979.

While the 1979 First Quarter results were profitable, the margins are low due to competitive pressures which will be partly remedied by a general price increase for our oilfield and material handling division. The Second Quarter will be very difficult, however we anticipate recovery in the Third and Fourth Quarters.

## CORPORATE

It is with great sadness that we report the death of Mr. Peter William Shipka, Chairman of the Board, in September 1978. Mr. Shipka was a co-founder of the Company in 1967 and from inception through 1977 served as President and Director until assuming the Chairmanship of the Board in 1978. A tireless entrepreneur and gentleman, Mr. Shipka's leadership capabilities, dedication and counsel shall be greatly missed by all those who had the privilege of being associated with him.

On behalf of the Board of Directors

G. H. Bigelow  
President



# FINANCIAL STATEMENTS 1978





# Auditors' Report

TO THE SHAREHOLDERS

**Pe Ben Oilfield Services Ltd.**

We have examined the consolidated balance sheet of Pe Ben Oilfield Services Ltd. as at 31 December 1978 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, subject to the final outcome and determination of a loss, if any, to the matter referred to in note 12, these consolidated financial statements present fairly the financial position of the companies as at 31 December 1978 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The comparative figures of one of the subsidiaries were reported upon by other auditors.

Edmonton, Alberta  
15 February 1979

DUNWOODY & COMPANY  
CHARTERED ACCOUNTANTS



Pe Ben Oilfield Services Ltd.

## Consolidated Statement of Income and Retained Earnings

for the year ended 31 December 1978

	1978	1977
Revenue, Note 1 .....	\$ 6,815,893	\$20,200,599
Expenses		
Operating and administration .....	7,389,195	17,903,567
Depreciation .....	537,388	835,599
Interest — current .....	49,552	128,519
— long term .....	499,021	344,918
Gain on disposal of fixed assets .....	(56,465)	(6,480)
	8,418,691	19,206,123
Income (loss) before income taxes, Minority Interest and Extraordinary Item .....	(1,602,798)	994,476
Income taxes		
Current .....	(162,300)	214,900
Deferred .....	(620,000)	254,619
	(782,300)	469,519
Income (loss) before minority interest and extraordinary item .....	(820,498)	524,957
Minority interest in the net income (loss) of subsidiary company .....	(280,725)	703,473
Loss before extraordinary item .....	539,773	178,516
Extraordinary item, Note 11 .....	(359,449)	773,661
Net income (loss) for the year .....	(899,222)	595,145
Retained earnings, beginning of year, as restated, Note 10 .....	3,401,736	2,806,591
Retained earnings, end of year .....	\$ 2,502,514	\$ 3,401,736
Earnings per share		
Loss before extraordinary item .....	(.28)	(.10)
Extraordinary item .....	(.19)	.42
Net income (loss) for the year .....	(.47)	.32



Pe Ben Oilfield Services Ltd.

# Consolidated Balance Sheet

as at 31 December 1978

	ASSETS	
	1978	1977
<b>Current</b>		
Cash .....	\$ —	\$ 17,005
Short term deposit receipts .....	—	1,950,000
Accounts receivable, Note 2 .....	2,084,729	3,467,013
Income taxes recoverable .....	241,592	495,141
Inventories, Notes 1 and 3 .....	438,966	340,657
Land and equipment held for resale, Note 1 .....	1,026,967	—
Prepaid expenses .....	83,673	216,980
Current portion of notes receivable .....	148,050	89,800
	<u>4,023,977</u>	<u>6,576,596</u>
<b>Note Receivable, Note 4</b>	<b>206,300</b>	<b>134,700</b>
<b>Fixed, Notes 1 and 5</b>	<b>7,396,137</b>	<b>9,371,064</b>
<b>Other, Notes 1 and 6</b>	<b>286,570</b>	<b>346,302</b>

Approved on behalf of the Board:

G. H. BIGELOW

Director

B. F. MICHETTI

Director

\$11,912,984

\$16,428,662



## LIABILITIES

	<u>1978</u>	<u>1977</u>
<b>Current</b>		
Bank indebtedness, Note 7 .....	\$ 1,072,774	\$ 224,675
Accounts payable .....	1,069,836	2,992,485
Income taxes .....	—	192,429
Current portion of long term debt .....	1,301,674	1,339,637
Deferred income taxes .....	—	154,500
	<u>3,444,284</u>	<u>4,903,726</u>
Long Term Debt, Note 8 .....	<u>2,777,529</u>	<u>3,742,580</u>
Deferred Income Taxes, Note 1 .....	<u>1,021,500</u>	<u>1,765,900</u>
<b>Minority Interest in Subsidiary Company,</b> Note 1 .....	<u>47,840</u>	<u>795,403</u>

## SHAREHOLDERS' EQUITY

<b>Share Capital, Note 9</b>		
Authorized		
2,500,000 Common shares of no par value, aggregate consideration not to exceed \$5,000,000		
Issued		
1,977,600 Common shares (1977-1,877,600) .....	2,119,317	1,819,317
Retained Earnings .....	<u>2,502,514</u>	<u>3,401,736</u>
	<u>4,621,831</u>	<u>5,221,053</u>
	<u>\$11,912,984</u>	<u>\$16,428,662</u>

**Contingent Liabilities, Note 12**

**Statutory Information, Note 13**



# Pe Ben Oilfield Services Ltd.

## Consolidated Statement of Changes in Financial Position

for the year ended 31 December 1978

Source of funds	1978	1977
Operations		
Loss before extraordinary item .....	\$ —	\$ (178,516)
Items not involving funds		
Depreciation .....	—	835,599
Deferred income taxes .....	—	100,119
Amortization of storage yard improvements .....	—	112,707
Gain on disposal of fixed assets .....	—	(6,480)
Minority interest .....	—	707,073
	—	1,570,502
Proceeds on sale of fixed assets .....	610,565	434,062
Proceeds from extraordinary item .....	—	1,293,688
Reclassification of land and equipment held for resale .....	1,026,967	—
	<u>1,637,532</u>	<u>3,298,252</u>
Application of funds		
Operations		
Loss before extraordinary item .....	539,773	—
Items not involving funds		
Depreciation .....	(537,388)	—
Deferred income taxes .....	465,500	—
Amortization of storage yard improvements .....	(53,810)	—
Gain on disposal of fixed assets .....	56,465	—
Minority interest .....	280,725	—
	751,265	—
Increase in notes receivable, net .....	71,600	—
Decrease (increase) in long term debt .....	242,111	2,958,025
Extraordinary item involving funds .....	965,051	(935,348)
Purchase of minority interest in subsidiary company .....	\$447,956	—
Share capital issued .....	(300,000)	—
	<u>147,956</u>	<u>—</u>
	<u>2,730,709</u>	<u>2,022,677</u>
Increase (decrease) in working capital .....	(1,093,177)	1,275,575
Working capital, beginning of year .....	1,672,870	397,295
Working capital, end of year .....	\$ 579,693	\$1,672,870
Represented by:		
Current assets .....	\$4,023,977	\$6,576,596
Current liabilities .....	3,444,284	4,903,726
	<u>\$ 579,693</u>	<u>\$1,672,870</u>



## Notes to Consolidated Financial Statements

31 December 1978

### 1. Significant Accounting Policies

The following is a summary of significant accounting policies of the company:

#### (a) Principles of Consolidation

These financial statements include the accounts of the company, its wholly-owned subsidiaries and a subsidiary, Pe Ben Pipelines Limited, in which the company owns 100% of the voting shares (1977 - 51%) and holds 93.7% (1977 - 47.2%) of the equity.

The accounts of Pe Ben Pipelines Limited include its 50% share of the assets, liabilities, revenues and expenses of two joint ventures in which it participated.

#### (b) Inventories

The inventories are stated at the lower of cost and net realizable value.

#### (c) Land and Equipment Held for Resale

Land and equipment held for resale are stated at the lower of cost less accumulated depreciation and net realizable value.

#### (d) Depreciation

Depreciation is provided on the straight line basis as follows:

Office buildings and parking lot	— 5%
Cranes and heavy construction equipment	— 5%
Contract buildings	— 10%
Machinery and office equipment	— 10%
Heavy trucks and trailers	— 10%
Light trucks and automobiles	— 20%

#### (e) Storage Yard Improvements

Storage yard improvements are being amortized on a straight line basis over five years.

#### (f) Deferred Income Taxes

Deferred income taxes result from claiming capital cost allowance and other items for income tax purposes in excess of depreciation and other expenses recorded in the accounts. The deferred income taxes have been reduced by tax losses carried forward totalling \$3,070,000 which will expire in varying amounts from 1981 to 1983.



## Notes to Consolidated Financial Statements

31 December 1978

(g) Income Recognition

The company recognizes income on pipeline construction contracts on the percentage of completion basis.

2. Accounts Receivable

	1978	1977
Trade .....	\$ 1,756,490	\$2,913,806
Holdbacks .....	23,528	501,872
Milton Group Limited .....	231,172	—
Due from director, secured by a mortgage, 11¼% .....	73,539	51,335
	<u>\$2,084,729</u>	<u>\$3,467,013</u>

3. Inventories

	1978	1977
Work in progress .....	\$ 118,982	\$ —
Parts and supplies .....	319,984	340,657
	<u>\$ 438,966</u>	<u>\$ 340,657</u>

4. Notes Receivable

	1978	1977
Mortgage, interest at prime plus 3%, repayable annually \$58,250 principal plus interest, maturing 1981 .....	\$ 174,750	\$ —
Note, interest free, repayable \$44,900 annually, maturing 1981 .....	179,600	224,500
	354,350	224,500
Current portion .....	148,050	89,800
	<u>\$ 206,300</u>	<u>\$ 134,700</u>



**Notes to Consolidated Financial Statements**

31 December 1978

**5. Fixed Assets**

	<u>1978</u>		<u>1977</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land .....	\$ 233,456	\$ —	\$ 586,136	\$ —
Office buildings and parking lot .....	491,829	137,969	786,442	157,319
Cranes and heavy con- struction equipment .....	4,667,272	495,372	4,966,357	459,069
Contract buildings .....	273,136	101,460	273,136	75,356
Machinery and office equipment .....	882,247	246,741	1,063,481	225,946
Heavy trucks and trailers .....	2,650,554	1,166,667	3,724,965	1,517,904
Light trucks and automobiles .....	516,068	170,216	553,248	147,107
	<u>9,714,562</u>	<u>2,318,425</u>	<u>11,953,765</u>	<u>2,582,701</u>
Cost less accumulated depreciation: .....		<u>\$7,396,137</u>		<u>\$9,371,064</u>

Due to events referred to in Note 11, a subsidiary company's fixed assets were not available for use for a significant portion of the year; consequently depreciation has been provided only for that portion of the year in which the assets were available for use.

**6. Other Assets**

	<u>1978</u>	<u>1977</u>
Operating authorities, at cost .....	\$ 227,306	\$ 227,306
Storage yard improvements, at cost less amortized portion .....	59,264	118,996
	<u>\$ 286,570</u>	<u>\$ 346,302</u>

**7. Bank Indebtedness**

	<u>1978</u>	<u>1977</u>
Overdraft .....	\$ 22,674	\$ 144,675
Loans .....	1,050,100	80,000
	<u>\$1,072,774</u>	<u>\$ 224,675</u>



# Notes to Consolidated Financial Statements

31 December 1978

The bank loans are secured by a general assignment of book debts, a debenture giving a first charge on certain land, buildings and equipment and a floating charge on all other assets and an assignment of fire insurance proceeds.

## 8. Long Term Debt

	<u>1978</u>	<u>1977</u>
Conditional sales contracts, secured by specific equipment, repayable \$12,127 monthly (1977 - \$12,082), including principal and interest at rates of 13½%, 11¼% and prime plus 2½%, maturing 1980 .....	\$ 182,675	\$ 221,106
Agreement for sale, secured by land held for resale, interest at prime plus 2%, repayable \$6,944 monthly plus interest .....	152,778	236,111
Bank loans, interest at prime plus 1½%, secured by a general assignment of book debts, a debenture giving a first charge on all heavy construction equipment and floating charge on all other assets and an assignment of fire insurance proceeds. The bank loans are demand notes but banking agreements call for repayments of \$200,000 quarterly maturing in 1983. The banking agreements also require that certain conditions be maintained and restricts specific expenditures without prior approval of the bank .....	3,743,750	4,625,000
	4,079,203	5,082,217
Current portion	<u>1,301,674</u>	<u>1,339,637</u>
	<u>\$2,777,529</u>	<u>\$3,742,580</u>



## Notes to Consolidated Financial Statements

31 December 1978

Principal payments due in the next five years are as follows:

1979	\$ 1,301,674
1980	833,779
1981	800,000
1982	800,000
1983	343,750
	<u>\$4,079,203</u>

Under the terms of an agreement dated 11 December 1978, the bank loans were refinanced. Due to events referred to in Note 11, certain conditions were not met and refinancing was not completed until 10 January 1979. These financial statements, however, reflect the repayment terms as refinanced.

### 9. Share Capital

100,000 common shares were issued during the year in exchange for 24.5% of the outstanding voting shares of Pe Ben Pipelines Limited. The directors of the company have valued these shares at \$300,000 which equalled the quoted market value of the company's shares at the date of the exchange.

### 10. Prior Period Adjustment

As a result of an income tax reassessment applicable to 1976, the balance of retained earnings as at 31 December 1977, previously reported as \$3,955,236 has been restated to show a retroactive charge of \$553,500. The company has appealed this reassessment.

### 11. Extraordinary Item

During the year a dispute arose with a minority shareholder which seriously disrupted the operations of a subsidiary company. The costs of settlement and resumption of operations totalled \$346,249 net of income tax recoveries of \$325,675 and net of minority interest.

### 12. Contingent Liabilities

The company has an account receivable from Milton Group Limited of \$231,172 and is guarantor of a \$1,050,000 bank loan. The company is in the process of supporting a reorganization of Milton Group Limited in order to allow resumption of the operations of the Milton Brick plant. The value of the assets of Milton Group Limited appear to be



## Notes to Consolidated Financial Statements

31 December 1978

nominal under a forced liquidation, however, in management's opinion, the assets are sufficient to secure the company's position on a going concern basis. Accordingly, no provision for losses has been made.

### 13. Statutory Information

The direct remuneration paid or payable to directors and senior officers of the company as defined under the Companies Act of Alberta amounted to \$210,260 (1977 - \$155,041).



# Corporate Information

## Board of Directors:

G. H. Bigelow, Edmonton  
J. N. Turvey, Vancouver  
B. F. Michetti, Edmonton  
H. A. Martin, Vancouver  
G. P. Clarkson, Toronto  
G. R. Caron, Edmonton  
M. Gaasenbeek, Toronto

## Officers:

G. H. Bigelow, President and Chief Executive Officer  
J. N. Turvey, Secretary-Treasurer  
B. F. Michetti, Assistant-Secretary

## Executive Office:

17 Street & 45 Avenue  
P.O. Box 5805, Station "L"  
Edmonton, Alberta

## Transfer Agent and Registrar:

National Trust Company Limited, Toronto

## Stock Exchanges:

Toronto Stock Exchange, Toronto  
Montreal Stock Exchange, Montreal

## Bankers:

Mercantile Bank of Canada

## Solicitors:

MacPherson, Leslie & Tyerman, Regina  
Swinton & Co., Vancouver

## Auditors:

Dunwoody & Company, Edmonton



